

JOE BACA

43RD DISTRICT, CALIFORNIA

WASHINGTON OFFICE:

2366 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-0543

PHONE: (202) 225-6161

FAX: (202) 225-8671

E-MAIL: CONG.BACA@MAIL.HOUSE.GOV

DISTRICT OFFICE:

201 NORTH E STREET, SUITE 102

SAN BERNARDINO, CA 92401

PHONE: (909) 885-BACA (2222)

FAX: (909) 888-5959



**Congress of the United States
House of Representatives**

August 15, 2011

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BLUE DOG COALITION

Jody Harris
Policy Specialist
CDFI Fund, United States Department of the Treasury
601 13th Street, NW
Suite 200 South
Washington, D.C. 20005

RE: Federal Register, Volume 76, Number 127 – *Community Development Financial Institutions
Bond Guarantee Program*

Dear Ms. Harris,

I am writing to respond to your request for public comment on the Community Development Financial Institution Bond Guarantee Program created by the Small Business Jobs Act of 2010. I am well aware of the challenges that many low-income, minority families face when trying to meet everyday financial needs. These families and individuals continually rely on CDFI's to assist them with their financial needs in gaining access to credit that would otherwise be unavailable in the mainstream financial marketplace. Since coming to office in 1999, I have always been a strong supporter of the CDFI fund and its mission. As such, I was very pleased to see the incorporation of the CDFI Bond Guarantee Program in the Small Business Jobs Act, and am pleased today to see the program begin to take shape.

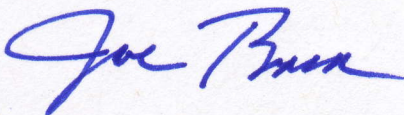
The need our lower-income communities, specifically communities of color, have for gaining sources of capital and credit is immediate and real. A recent Pew Research Center study showed that the recent recession took a far greater toll on black and Hispanic households, with median wealth falling 53% and 66% respectively between 2005 and 2009. CDFIs provide a beacon of financial hope to these communities, as they are required by statute and mission to be singularly focused on providing access to capital for these communities. This program will enhance CDFIs ability to accomplish their goals as the \$5 billion that could be available to CDFIs, and in turn the communities they serve, will be exponentially more than authorized in the past. Consequentially, this allows CDFIs to tap into public capital markets for loan capital, improving their opportunities for funding opportunities and allowing them to adjust their operations in a more cost-effective manner.

As the Department of Treasury begins to formulate and write regulations for this program, I would like to share some of my thoughts:

- **Eligibility:** All CDFIs (as per the CDFI certification process) are providing loans that serve low-income and underserved communities, and therefore, all CDFIs should be eligible for the program, regardless of the characteristics or types of loans made. Underserved communities already suffer from a severe lack of capital access, and putting additional limitations on those institutions would only impede the success of the program.
- **Ensuring the Program's Launch:** The program should require a two-step application process and should be on a first serve, first come basis. In order to make ensure the public-private appeal of this program, the first step of the application should require issuers to seek a third party (i.e., a rating agency or private insurer of government bonds) evaluation to determine the appropriate risk reserve required, given the historical performance and type (mortgage, small business, unsecured small loans, etc.) of the underlying assets. Additionally, it should require all applicants undergo a "means assessment" that evaluates historical origination volumes to support the size of the proposed bond issuance. This will also make certain that the guarantee is allocated appropriately across CDFIs to ensure that 100% of the \$1B is deployed each year.
- **Bridge to Mainstream Financial Market Access:** While this Program will be transformational, it only lasts for five years. If this Pilot Program is not renewed by Congress, it would be most unfortunate if the participating CDFIs would then suffer from a lack of capital after 5 years of tremendous access. Therefore, this Program must also prepare participating CDFIs to be ready to meet the requirements of mainstream financial market access. For this reason, we strongly recommend that the CDFI Fund, as part of its application, require participants who are not yet ready for mainstream financial market access (without a government guarantee) to take the necessary steps over the Pilot Program's tenure to develop those capabilities, such as loan systems of record that can report loan level asset performance detail with high integrity and provide electronic files of loan payment and credit performance and loan document quality assurance and retention processes that meet the collateral requirements of private sector capital markets.

Thank you for your attention and consideration in this matter. I look forward to continuing to work with you and hearing more about the ongoing development of the CDFI Bond Guarantee Program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Baca", with a stylized, cursive script.

JOE BACA, Congressman
43rd Congressional District